

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6374

BILL NUMBER: SB 77

DATE PREPARED: Feb 1, 2002

BILL AMENDED: Jan 31, 2002

SUBJECT: Uniform Principal and Income Act.

FISCAL ANALYST: Chris Baker

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: No Fiscal Impact

Summary of Legislation: (Amended) This bill adopts the Uniform Principal and Income Act. The bill also provides notice requirements for proposed actions of a trustee. It provides that a trustee or beneficiary may petition a court for modification or denial of a proposed action. The bill creates an abuse of discretion standard for overturning a fiduciary's use of discretionary power. The bill also removes a provision that prevents the trustee from making an adjustment if the trustee is not a beneficiary but the adjustment would affect the trustee directly or indirectly. It also provides civil immunity for a trustee in certain circumstances. The bill specifies that if an obligation to pay money to the trustee is held as an asset of a charitable remainder trust, what is distributable as income is an increase in the value of an obligation to pay money to the trustee over the value of the obligation at the time it was acquired by the trust. It specifies that if a private or commercial deferred annuity is held as an asset of a charitable remainder trust, what is distributable as income is an increase in the value of the obligation over the value of the obligation at the time of the acquisition by the trust. This bill also amends the definition of "principal" to include property that remains perpetually vested in the trustee in addition to property held for distribution to a remainder beneficiary when the trust terminates. It in a provision concerning deferred compensation, annuities, and similar payments: (1) amends the definition of "payment" to specify that the trustee may have the option to receive the payment in lump sum or some other form; (2) amends a provision concerning allocating more of a payment to income in order to obtain an estate tax marital deduction to include obtaining a gift tax marital deduction; and (3) adds a provision concerning allocating a payment between income and principal if a payment is not characterized as interest or a dividend, and if the payment is made from an individual account corresponding to an original participant. The bill also amends a provision concerning the trustee's power to adjust between income and principal to make the consideration of some factors in exercising the power discretionary instead of mandatory. This bill repeals trust code statutes that are superseded and makes other conforming changes.

Effective Date: (Amended) January 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: